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MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

AUDIT REPORT

Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena MT 59620-1705

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Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor

Deputy Legislative Auditors:
James Gillett
Angie Grove

November 2007

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Miles Community College for the fiscal year ended June 30, 2007.

The audit was conducted by Denning, Downey & Associates, CPA's PC under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

07C-10

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MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

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MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2007

BOARD OF TRUSTEES

Sharon Wilcox	Chairperson
Garret McFarland	Vice Chairperson
Bill Griffin	Trustee
Rusty Irion	Trustee
Kelly Reid	Trustee
Susan Stanton	Trustee
Jan Wagner	Trustee

COLLEGE OFFICIALS

Stefani Hicswa	President
Tad Torgerson	Administrative Dean
Laura Bennett	Controller

Miles Community College, Custer County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007

Overview

Miles Community College's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2007. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes.

Financial and Other College Highlights

- **Reorganization –** A full-time Heavy Equipment instructor was hired in November 2006. This program was implemented in response to the needs in the industry. In addition, a second Enrollment Specialist/Recruiter was hired. The territory covered by the recruiter has expanded and the need for increased student services on campus facilitated the need for a second position.
- **Union Negotiations –** The Miles Community College Faculty Association, a MEA-MFT faculty union, was organized during fiscal year 2005. Miles Community College Faculty Association representatives negotiated a collective bargaining agreement with the Miles Community College Board of Trustees. A master agreement was reached in fiscal year 2007, which was retroactive to July 1, 2007.
- **Program Development** – The Dean of Academic Affairs is working with businesses and faculty to develop programs needed in the area. The College has developed an Equine program and an inventory of several other new possible programs for development.
- **Grant** – The Workforce Innovation in Regional Economic Development (WIRED) grant was awarded in spring 2007. The WIRED grant is focused in the area of developing a skilled workforce for the biofuels industry, in order to promote industry development. The Miles Community College WIRED grant is focused specifically on oilseed production for biodiesel. The grant includes training for general public and high school students as well as the development of curriculum for Miles Community College. In addition, there is a distance education based entrepreneurship certificate being developed as part of the grant.
- **Distance Education programs** – With the declining population in eastern Montana, the College has implemented alternative methods such as interactive television and on-line classes to deliver its educational services. As a consequence of this increased focus on distance education, the Dean of Academic Affairs is working with the Montana University System (MUS) to form a gateway for all colleges/universities to offer online general education courses on a common site.
- **Enrollment (FTE)** – In fiscal year 2007, the College experienced a 4.6 percent decrease in enrollment with 422 resident FTE. Management feels the major cause for the decrease in enrollment is due to the relatively strong local economy and continuing low unemployment rates.

Using the Financial Statements

The College's financial statements consist of the following three statements:

- Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. They differ significantly, in form and the accounting principles utilized, from financial statements presented prior to fiscal year 2003. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the college, the results of operations, and cash flows of the college as a whole.

Significant changes to the financial statements are as follows:

- The financial statements are prepared using the accrual basis of accounting, which means revenues are reported when earned and expenses are reported when incurred, regardless of when the cash was actually received or paid.
- Capital assets are now depreciated over their expected useful lives instead of recorded entirely as a current period expense in the year of acquisition. Depreciation is treated as an operating expense, and capital assets are reported in the statements at cost less accumulated depreciation.
- Assets and Liabilities are treated as current (due within one year) or as non-current (due in more than one year), and in the Statement of Net Assets are presented in order of their relative liquidity.
- Revenues and Expenses are classified as operating or non-operating. "Operating" is defined by the Governmental Accounting Standards Board (GASB) as resulting from transactions involving exchanges of goods or services for payment. "Non-operating" is defined by GASB as resulting from transactions not involving the exchange of goods or services for payment. Miles Community College shows a substantial "operating loss" in the Statement of Revenues, Expenses, and Changes in Net Assets primarily because GASB requires that State Appropriation and District Levy revenues must be reported as "non-operating".
- Tuition and Fees are reported net of any Tuition Waivers that were applied directly to a students account.

The three financial statements are designed to help the reader of the financial statements to determine whether the College's overall financial condition has improved or deteriorated as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector financial statements.

Balance Sheet

The Balance Sheet, which reports all assets and liabilities of the College, presents the financial position of the College at the end of the fiscal year. The net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the Balance Sheet follows:

ASSETS	**6/30/2006**	**6/30/2007**
Total Current Assets	$1,659,844	$1,848,126
Total Noncurrent Assets	5,221,470	5,087,863
TOTAL ASSETS	$6,881,314	$6,935,989
LIABILITES		
Total Current Liabilities	$ 655,430	$ 585,498
Total Noncurrent Liabilities	2,783,504	2,608,830
TOTAL LIABLILITES	$3,438,934	$3,194,328
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$2,481,853	$2,436,822
Restricted, Expendable	328,225	289,676
Unrestricted	632,302	1,015,163
TOTAL NET ASSETS	$3,442,380	$3,741,661

Current assets include the College's cash; taxes, grants, student loan, and accounts receivable; inventories; and other assets expected to benefit the College within one year. The $188,282 increase from fiscal year 2006 to fiscal year 2007 was caused primarily by an increase in cash.

Noncurrent assets primarily represent the College's Capital Assets less Accumulated Depreciation.

Current liabilities include payroll and related liabilities, amounts payable to suppliers for goods and services received, revenue received which the College has not yet earned, student deposit balances, and debt principal payments due within one year. Total current liabilities decreased by almost $73,846 from fiscal year 2006 to fiscal year 2007, due largely to the decreased amount of the state appropriation reversion.

Noncurrent liabilities primarily represent debt principal payments due after a one-year period. It also includes the amount of compensated absence liability.

Invested in capital assets, net of related debt represents the historical costs of capital assets less accumulated depreciation and less debt balances related to the capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred. Total capital assets increased by $45,031 from fiscal year 2006 to fiscal year 2007 mostly due to the equipment purchased in conjunction with the Wired Grant Program.

Restricted expendable net assets represent funds that may be expended by the College but only in accordance with restrictions imposed by an external party, such as a donor or governmental entity.

Unrestricted net assets are funds that the College has to use for whatever purpose it determines is appropriate. These assets may be designated for specific purposes by action of management.

Total net assets increased by $299,231 from fiscal year 2006 to fiscal year 2007, which indicates the overall financial position of the College has improved over that time period.

Statement of Revenue, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year on a full accrual basis, which means revenues and expenses are recognized whey they were earned or incurred, regardless of when cash was received or paid. Results of operations are classified as either operating or nonoperating.

A summary of the Statement of Revenues, Expenses and Changes in Net Assets follows:

	6/30/2006	6/30/2007
Operating Revenues	$ 4,515,878	$ 4,633,929
Operating Expenses	6,919,516	7,187,696
OPERATING LOSS	$(2,403,638)	$(2,553,767)
Nonoperating Revenues (Expenses)	$ 2,806,950	$ 2,930,882
Transfer from fiduciary funds		5,196
INCREASE (DECREASE) IN NET ASSETS	$ 403,312	$ 382,311
Net Assets, Beginning of Year	$ 3,039,068	$ 3,442,380
Restatement of expenses	$ -	$ (83,030)
Net Assets, End of Year	$ 3,442,380	$ 3,741,661

Operating revenues represent the revenue received from tuition and fees, federal, state, and private grants and contracts, indirect cost recoveries (from grants), auxiliary activities, and other operating revenues. Total operating revenues increased by $118,051 from fiscal year 2006 to fiscal year 2007. This was mainly due to other operating revenue which includes the distant nursing, bus operations, and scholarships.

Nonoperating revenue (expenses) consists of interest income, state appropriations, district levies, interest payments, and other non-operating revenues and expenses. Nonoperating revenue increased $123,932 from fiscal year 2006 to fiscal year 2007. The major item affecting this change is the interest income.

Increase (decrease) in net assets represents the difference between total revenues and total expenses.

The following provides a comparative analysis of revenues and expenses for the two fiscal years:

ANALYSIS OF ALL SOURCES OF REVENUE

SOURCE OF REVENUE	FISCAL YEAR 2006 AMOUNT	PERCENT	FISCAL YEAR 2007 AMOUNT	PERCENT	INCREASE (DECREASE FY'06 VS FY'07
Operating Revenues					
Tuition and Fees (Net)	$1,172,943	15.74%	$ 1,219,051	15.83%	$ 46,108
Federal Grants and Contracts	1,349,529	18.10%	1,180,088	15.33%	(169,441)
State Grants and Contracts	426,999	5.73%	451,451	5.86%	24,452
Private and Local Grants and Contracts	328,176	4.40%	407,556	5.29%	79,380
Indirect Cost Recoveries	8,826	0.12%	11,132	0.14%	2,306
Auxiliary Enterprise Activities	1,069,022	14.34%	1,014,775	13.18%	(54,247)
Other Operating Revenues	160,383	2.15%	349,876	4.54%	189,493
Total Operating Revenue	$4,515,878	60.58%	$ 4,633,929	60.18%	$ 118,051
Nonoperating Revenues					
Interest Income	$ 35,571	0.48%	$ 95,352	1.24%	$ 59,781
State Appropriations	1,541,391	20.68%	1,570,372	20.40%	28,981
District Levies	1,361,482	18.26%	1,399,948	18.18%	38,466
Total Nonoperating Revenues	$2,938,444	39.42%	$ 3,065,672	39.82%	$ 127,228
Total Revenue	$7,454,322	100%	$ 7,699,601	100%	$ 245,279

ANALYSIS OF CATEGORY OF EXPENSE

CATEGORY OF EXPENSE	FISCAL YEAR 2006 AMOUNT	PERCENT	FISCAL YEAR 2007 AMOUNT	PERCENT	INCREASE (DECREASE FY'06 VS FY'07
Operating Expenses					
Salaries	$2,875,932	40.79%	$ 2,979,664	40.69%	$ 103,732
Benefits	907,265	12.87%	942,136	12.87%	34,871
Travel	165,083	2.34%	211,259	2.89%	46,176
Supplies	431,759	6.12%	397,738	5.43%	(34,021)
Contracted Service	334,172	4.74%	374,355	5.11%	40,183
Rent and Lease	33,876	0.48%	79,282	1.08%	45,406
Repairs and Maintenance	10,047	0.14%	27,922	0.38%	17,875
Advertising	42,854	0.61%	68,498	0.94%	25,644
Meetings and Dues	26,011	0.37%	26,858	0.37%	847
Utilities	168,773	2.39%	147,735	2.02%	(21,038)
Student Support	53,988	0.77%	16,179	0.22%	(37,809)
Communications	91,828	1.30%	94,590	1.29%	2,762
Software	16,054	0.23%	16,318	0.22%	264
Unassigned	84,741	1.20%	127,055	1.74%	42,314
Scholarships and Grants	893,072	12.67%	973,054	13.29%	79,982
Insurance	57,379	0.81%	93,009	1.27%	35,630
Indirect Costs	3,125	0.04%	10,531	0.14%	7,406
Food for Resale	127,753	1.81%	133,949	1.83%	6,196
Items for Resale	194,372	2.76%	179,604	2.45%	(14,768)
Other Operating Expenses	143,002	2.03%	24,469	0.33%	(118,533)
Depreciation Expense	258,430	3.67%	263,491	3.60%	5,061
Total Operating Expenses	$6,919,516	98.14%	$ 7,187,696	98.16%	$ 268,180
Nonoperating Expenses					
Interest Payments	$ 131,494	1.86%	$ 134,790	1.84%	$ 3,296
Other Nonoperating Expenses	-	0.00%	-	0.00%	-
Total Nonoperating Expenses	$ 131,494	1.86%	$ 134,790	1.84%	$ 3,296
Total Expenses	$7,051,010	100%	$ 7,322,486	100%	$ 271,476

Comments about specific revenue and expense items are:

- **Private and Local Grants and Contracts** – During fiscal year 2007 the College received a $72,000 gift from the Miles Community College Endowment Corporation to fund positions for a full-time Enrollment Specialist/Recruiter and a Heavy Equipment Instructor.
- **Expenses (general comment):** Overall expenses increased $271,476 from fiscal year 2006 to fiscal year 2007 mostly due to step and cost-of-living increases received by faculty and staff and scholarships awarded to students.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the College's sources and uses of cash during the fiscal year. This statement aids in assessing the College's ability to meet obligations and commitments as they become due, their ability to generate future cash flows and their needs for external financing. As required by GASB, the statement is presented using the "Direct Method," which focuses on those transactions that either provided or used cash during the fiscal year.

A summary of the Statement of Cash Flows follows:

CASH FLOW CATEGORY	6/30/2006	6/30/2007
Cash Provided (Used) by:		
Operating Activities	$(2,112,311)	$(2,204,184)
Nonoperating Activities	2,909,498	2,829,492
Capital Financing Activities	(620,335)	(331,964)
Investing Activities	35,571	95,352
Net Increase (Decrease) in Cash	$ 212,423	$ 388,696
Cash and Cash Equivalents, Beginning of Year	$ 946,268	$ 1,158,691
Agency Fund Adjustment		(44,397)
Cash and Cash Equivalents, End of Year	$ 1,158,691	$ 1,502,990

DISCUSSION OF SIGNIFICANT PENDING ECONOMIC AND FINANCIAL ISSUES

- **Population** – The College will continue to experience challenges due to the declining population in our service area, and we will continue to explore opportunities to grow enrollment.
- **State Funding** – State funding has not kept pace with increased educational costs, and we expect this trend to continue into the future. We will continue to look for alternate sources of funding such as state and federal grants, business partnerships, and partnerships with other educational institutions. During the 2005 legislative session, the legislature recognized a possible deficiency in the community college funding formula. At that time, the legislature commissioned an interim legislative study to look at possible changes to the funding formula. That study has been completed and a new fixed/variable cost funding formula has been created. The new funding formula was incorporated into SB12 which passed and became law during the 2007 legislative session. Our expectation is the new formula will stabilize state funding by lessening the impact of wide variations in resident enrollment.
- **Faculty and Staff** – The ability to attract and keep high quality faculty and staff because of our salary schedule is a concern of the College.
- **Shared Governance** - Working meetings are held monthly to facilitate ideas to improve the college experience for students, faculty, and staff. Administration and each section of the college have worked together on the fiscal budgeting process.

- **Student Records Management System** – The College has implemented a web-based student management records system. This is cutting edge technology that will allow us to provide exceptional customer service to our students in a timely matter. It will also provide management with accurate and timely student information on which decisions can be made. In FY 2007, the students received access to the system to review grades, access current and past financial history, and print out unofficial transcripts. The next step in the implementation is to allow students to register and pay charges all on-line.
- **Federal Appropriation** – In an effort to access additional sources of funding, the College is actively pursuing several federal appropriations. The Rural Frontier Pathways to Careers in Healthcare is a proposed federal appropriation that would allow the College to partnership with other educational institutions and healthcare facilities to provide training for several different careers in healthcare. It has currently passed the House of Representatives and the Senate Appropriations Committee and is waiting for a vote by the full Senate.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

We have audited the accompanying financial statements of the business-type activities, aggregate remaining fund information and discretely presented component units of Miles Community College, Custer County, Montana, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Miles Community College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Miles Community College Endowment, which is a discretely presented component unit presented as a separate column in the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Miles Community College Endowment, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate remaining fund information and discretely presented component units of Miles Community College, Custer County, Montana, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 2 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Functional Classification of Operating Expenses, Student Financial Aid Modified Statement of Cash Receipts and Disbursements and Schedule of Expenditures of Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them. The accompanying Schedule of Enrollment Statistics is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Denning, Downey and Associates, CPA's, P.C.

October 5, 2007

Miles Community College, Custer County, Montana
Statement of Net Assets
June 30, 2007

		Business-Type Activities
ASSETS		
Current Assets:		
Cash and investments	$	1,443,713
Accounts receivable		47,894
Taxes receivable		74,636
Grants receivable		170,085
Prepaid expenses		25,937
Advances to students		35,653
Inventories		50,208
Total current assets	$	1,848,126
Noncurrent assets:		
Restricted cash and investments	$	59,277
Capital assets - land		206,412
Capital assets - depreciable, net		4,822,174
Total noncurrent assets	$	5,087,863
Total assets	$	6,935,989
LIABILITIES		
Current liabilities:		
Accounts payable	$	2,047
Deferred revenue		46,658
Accrued payroll		206,834
Current portion of compensated absences		124,212
Current portion of long-term capital liabilities		110,410
Deposits payable		26,180
Other current liabilities		69,157
Total current liabilities	$	585,498
Noncurrent liabilities:		
Noncurrent portion of compensated absences	$	127,476
Noncurrent portion of long-term capital liabilities		2,481,354
Total noncurrent liabilities	$	2,608,830
Total liabilities	$	3,194,328
NET ASSETS		
Invested in capital assets, net of related debt	$	2,436,822
Restricted for debt service		59,277
Restricted for Scholarships, research, instruction, and other		180,191
Unrestricted		1,065,371
Total net assets	$	3,741,661
Total liabilities and net assets	$	6,935,989

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2007

		Business-Type Activities
OPERATING REVENUES		
Tution and fees (net of waivers of $413,283)	$	1,219,051
Federal grants and contracts		1,180,088
State grants and contracts		451,451
Private and local grants and contracts		407,556
Miscellaneous		314,100
Rental revenue		35,776
Indirect cost recoveries		11,132
Auxiliary activities:		
Bookstore (net of buybacks and returns of $42,523)		239,301
Food services		260,035
Centra		158,464
Big Sky Dorm		356,975
Total operating revenues	$	4,633,929
OPERATING EXPENSES		
Salaries	$	2,979,664
Benefits		942,136
Travel		211,259
Supplies		397,738
Contracted services		374,355
Rent and lease		79,282
Repairs and maintenance		27,922
Advertising		68,498
Meetings and dues		26,858
Utilities		147,735
Student support		16,179
Communications		94,590
Software		16,318
Miscellaneous		127,055
Scholarships and grants		973,054
Insurance		93,009
Indirect costs		10,531
Food for resale		133,949
Items for resale		179,604
Bad debt expense		24,469
Depreciation expense		263,491
Total operating expenses	$	7,187,696
Operating income (loss)	$	(2,553,767)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	$	1,570,372
State reimbursement		209,082
District levies		1,190,866
Interest income		95,352
Debt service interest expense		(134,790)
Total non-operating revenues (expenses)	$	2,930,882
Income (loss) before contributions and transfers	$	377,115
Transfers from fiduciary funds	$	5,196
Change in net assets	$	382,311
Net assets - beginning	$	3,442,380
Restatements		(83,030)
Net assets - beginning restated	$	3,359,350
Net assets - ending	$	3,741,661

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

		Business-type Activities
Cash flows from operating activities:		
Cash received from students	$	1,183,398
Cash received from grants and contracts		2,037,614
Cash received from miscellaneous sources		528,293
Cash received from auxilary activities		1,014,775
Cash payments for scholarships and grants		(879,335)
Cash payments to employees		(3,815,771)
Cash payments to other suppliers		(2,276,773)
Cash received (paid) from deposits		3,615
Net cash provided (used) by operating activities	$	(2,204,184)
Cash flows from capital and related financing activities:		
Principal paid on bonds, loans and advances		(100,132)
Interest paid on bonds, loans and advances		(134,790)
Acquisition and construction of capital assets		(97,042)
Net cash provided (used) by capital and related financing activities	$	(331,964)
Cash flows from non-capital financing activities:		
Transfers between funds		5,196
Proceeds of taxes and assessments for non operating		2,824,296
Net cash provided (used) from non-capital financing activities	$	2,829,492
Cash flows from investing activities:		
Interest on investments		95,352
Net cash provided (used) by investing activities	$	95,352
Net increase (decrease) in cash and cash equivalents	$	388,696
Cash and cash equivalents at beginning		1,114,294
Cash and cash equivalents at end	$	1,502,990
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(2,553,767)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		263,491
Bad debt expense		24,469
Changes in assets and liabilities:		
Student aid receivable		37,112
Deposits payable		3,615
Accounts receivable		167,285
Grants receivable		(4,716)
Advances to students		(35,653)
Accounts payable		(245,001)
Accrued payroll		53,424
Compensated absences		52,605
Prepaid expenses		(1,721)
Other current liabilities		69,157
Deferred revenue		(33,877)
Other debits		(607)
Net cash provided (used) by operating activities	$	(2,204,184)

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Endowment Statement of Financial Position
June 30, 2007

		A Component Unit of Miles Community College
ASSETS		
Cash and cash Equivalents	$	65,715
Investmetnts		552,995
Total Assets	$	618,710
LIABILITIES		
Accounts Payable	$	-
Total Liabilties	$	-
NET ASSETS		
Unrestricted	$	440,842
Temporarily Restrictred		-
Permanently Restricted		177,868
Total Net Assets	$	618,710
Total Liabilites and Net Assets	$	618,710

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Endowment Statement of Activities
For the Year Ended June 30, 2007

A Componenent Unit of Miles Community College

	Unrestricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Pledges and Other Public Support	$ 34,599	$ 1,358	$ 35,957
Net Realized and Unrealized Investment Gains (Losses)	33,529	3,134	36,663
Investment Income	16,870	13,778	30,648
Endowment	-	-	-
Net Assets Released from Restrictions	-	-	-
Total revenues, gains and other support	$ 84,998	$ 18,270	$ 103,268
ALLOCATIONS AND EXPENSES			
Program Services			
Scholarship Awards	$ 17,983	$ 19,000	$ 36,983
Program Disbursements	214,204	-	214,204
Supporting Services			
Professional Fees	952	-	952
Management and General	243	-	243
Total allocations and expenses	$ 233,382	$ 19,000	$ 252,382
Change in net assets	$ (148,384)	$ (730)	$ (149,114)
Net assets, beginning of period	589,226	178,598	767,824
Net assets, end of period	$ 440,842	$ 177,868	$ 618,710

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Endowment Statement of Cash Flows
For the Year Ended June 30, 2007

		A Component Unit of Miles Community College
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(149,114)
Adjustment to Reconcile Change in Net Assets		
To Net Cash Provided (used) by Operating Activities:		
Net Realized and Unrealized Investment Gains		(36,663)
(Increase) Decrease in Assets:		
Accounts Receivable-MMC Centra		8,593
(Increase) Decrease in Liabilities:		-
Net Cash Provided by Operating Activities	$	(177,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Purchase of Investments	$	(72,882)
Proceeds from Sale of Available For-Sale Securities		42,544
Net Cash used by Investing Activities		(30,338)
Increase in cash and cash equivalents	$	(207,522)
Cash and cash equivalents - Beginning of period		273,237
Cash and cash equivalents - End of period	$	65,715

See accompanying Notes to the Financial Statements

Miles Community College, Custer, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

		Private-Purpose Trusts
ASSETS		
Cash and short-term investments	$	47,131
Total assets	$	47,131
LIABILITIES		
Accrued payroll	$	212
Total liabilities	$	212
NET ASSETS		
Assets held in trust	$	46,919

See accompanying Notes to the Financial Statements

Miles Community College, Custer, Montana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

		Private Purpose Trust Funds
ADDITIONS:		
Contributions from private sources	$	115,942
Total additions	$	115,942
DEDUCTIONS:		
Student activities	$	109,622
Transfers out		5,196
Total deductions	$	114,818
Change in net assets	$	1,124
Net assets - beginning of the year	$	44,397
Restatements		1,398
Net assets - beginning of the year - restated	$	45,795
Net assets - end of the year	$	46,919

See accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the College the option of electing to apply FASB pronouncements issued after November 30, 1989. The College has elected not to apply those pronouncements.

The College adopted the provisions of GASB #34 for its fiscal year ended June 30, 2007. Other GASB statements are required to be implemented in conjunction with GASB statement 34. Therefore the College is implementing the following statements for the year ended June 30, 2007: Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement 38 *Certain Financial Statement Note Disclosures*.

Financial Reporting Entity

In determining the financial reporting entity, the College complies with the provisions of GASB statement No, 14, *The Financial Reporting Entity*, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose it's will on the unit or a financial benefit or burden relationship exists.

Primary Government

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2007. The College has the following discretely presented component units:

Miles Community College Endowment

Summary of Significant Accounting Policies

Nature of Activities

The Miles Community College Endowment is a non profit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Miles Community College Endowment assists the Miles Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Miles Community College Endowment is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Endowment are from contributions and investment income.

Basis of Accounting

The accounts of the Endowment are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For financial statement purposes, the Endowment considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Endowment classifies contributions as unrestricted, temporarily restricted and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to generate income for specified restricted and unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose of time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments re received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. All expenses are reported in unrestricted net assets.

In-Kind Donations

The Endowment seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such service in the normal course of their business.

Donors are provided receipts showing estimated fair market value for their in-kind donations: these values are established by the donors. Donated goods and services are recorded in the financial statements as unrestricted functional expense or capitalized assets.

Investments
The investments are carried at fair value, unrecognized gains and losses are reflected in the Statement of Activities. All gains and investment income are allocated to unrestricted, temporarily restricted or permanently restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from temporarily restricted or permanently restricted net assets that is used to pay scholarships within the same reporting period is accounted for as unrestricted.

Contributions
Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted or permanently restricted revenue in accordance with donor stipulations. Unconditional promised to give with payments due in the future periods are recognized as temporarily restricted revenue. Restricted contributions whose restrictions are met within the same reporting period are accounted for as unrestricted support. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors included individuals and businesses who principally reside in southeastern Montana.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Proprietary Funds:
All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recoded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result form providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revues and expenses. When both restricted and unrestricted resources are available for use, it is the Colleges policy to use restricted resources first, then unrestricted resources as they are needed. The College has only one fund other than Fiduciary Funds.

Fiduciary Funds
The College reports the student activities funds as fiduciary funds as they represent assets held in a trust capacity for the student activities and therefore cannot be used to support the College's own programs.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition
The College's cash, except for the Perkins Loan Fund is held by the County Treasurer and pooled with other County cash. College cash which is not necessary for short-term obligations, the College participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2007, consisted of time deposits, U.S. Treasury Notes Repurchase Agreements and the State Short-Term Investment Pool (STIP).

The College may invest in savings deposits, time deposits or repurchase agreements in financial institutions that are both located in Montana and insured by FDIC, FSLIC, or NCUA. The College may also invest in general obligations of the United States Government, Federal Home loan Bank, Federal National Mortgage Association, Federal Home Mortgage Corporation, and Federal Farm Credit Bank, or a U.S. government security money market fund which holds eligible securities in its investment program, or in a unified investment program with the state, county treasurer, or any other political subdivision as long as investments are eligible.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Deposits
The College's deposit balance at year end was $17,058 and the bank balance was $17,058 which was fully insured by FDIC.

Component Unit Investments

The Endowment invests primarily in mutual funds, equity securities, and corporate debt securities. At June 30, 2007, investments are comprised of the following:

	Cost	Fair Market Value
Investment Centers of America		
Mutual Funds	$ 101,261	$ 109,688
Washington Mutual Inc-242 shares	10,423	10,319
Ameriprise Financial		
RVS-Port. Builder Moderate Fund	73,203	82,265
RVS-High Yield Bond Fund	161,009	162,580
Edward Jones		
American Balanced Fund	24,790	28,192
Growth Fund of America	37,500	49,248
First Interstate Financial		
Dow Chemical-400 shares	16,248	17,688
Mutual Funds-MFS Utilities B	63,437	93,015
Total	$ 487,871	$ 552,995

Component Unit Cash and Cash Equivalents

The components of cash and cash equivalents as of June 30, 2007 are as follows:

Cash in Bank	$ 63,157
Endowment Money Market Investments	2,558
Total	$ 65,715

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES AND PREPAIDS

Inventories are valued at cost using the First In First Out (FIFO) method.

The cost of inventories are recorded as an expenditure when consumed.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

NOTE 5. CAPITAL ASSETS

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets at $2,500. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	50 years
Equipment	5–20 years
Library	5 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in the basic financial statements. In accordance with Statement No. 34, the College has included the value of all infrastructure into the 2006-07 Basic Financial Statements. The College has elected not to retroactively report general infrastructure assets.

The following is a summary of capital assets:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	$ 206,412	$ -	$ -	$ 206,412
Other Capital Assets:				
Buildings	6,786,506	-	-	6,786,506
Improvements Other than Buildings	-	-	-	-
Machinery and Equipment	1,061,951	74,327	(15,958)	1,120,320
Software	99,692	-	-	99,692
Library	92,377	22,715	(12,775)	102,317
Total other Capital Assets at historical cost	$ 8,040,526	$ 97,042	$(287,733)	$ 8,108,835
Less Accumulated Depreciation	(3,073,189)	(263,490)	50,018	(3,286,661)
Total	$ 5,173,749	$(166,448)	$ 21,285	$ 5,028,586

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the proprietary financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2007, the following changes occurred in liabilities reported in long-term debt:

Business-type Activities:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due within one year
Contracted Debt	$2,459,183	$ -	$ 71,958	$2,387,225	$ 81,342
Intercap Loans	232,713	-	28,174	204,539	29,068
Compensated Absences	199,083	52,605	-	251,688	124,212
Total	$2,890,979	$ 52,605	$100,132	$ 2,843,452	$234,622

Loans/Contracted Debt

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2007
Quads	5/23/2003	7.16-11.16%	15 yrs	9/23/2017	$ 400,000	$ 276,639
HUD	12/23/2002	3.00%	10 yrs	7/1/2012	80,800	43,000
Residence Hall	5/18/2004	6.39%	20 yrs	5/18/2024	370,000	338,831
Chevrolet Impala	10/21/2004	2.90%	5 yrs	9/1/2009	12,057	5,642
Park Avenue	10/21/2004	5.90%	5 yrs	91//2009	23,007	11,194
Quads	2/26/1997	5.00%	30 yrs	9/23/2017	400,000	257,700
Residence Hall	5/18/2004	4.375%	40 yrs	5/18/2044	1,500,000	1,454,219
Total					$2,785,864	$2,387,225

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2008	$ 81,342	$118,479
2009	85,873	113,900
2010	84,517	109,264
2011	87,102	104,640
2012	91,832	99,845
2013	87,809	94,665
2014	93,007	89,466
2015	98,527	83,947
2016	104,338	78,136
2017	125,799	71,867
2018	56,148	65,580
2019	49,479	62,911
2020	52,156	60,234
2021	55,029	57,361
2022	58,043	54,347
2023	61,227	51,163
2024	61,856	47,798
2025	34,165	45,395
2026	35,690	43,870
2027	37,283	42,277
2028	38,947	40,613
2029	40,686	38,874
2030	42,502	37,058
2031	44,399	35,161
2032	46,381	33,179
2033	48,451	31,109
2034	50,614	28,946
2035	52,873	26,687
2036	55,233	24,327
2037	57,699	21,861
2038	60,275	19,285
2039	62,965	16,595
2040	65,776	13,784
2041	68,712	10,848
2042	71,779	7,781
2043	74,983	4,577
2044	63,728	1,244
Total	$ 2,387,225	$ 1,887,074

Intercap Loans
Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2007 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2007
Residence Hall	5/23/2003	4.85%	10 yrs	8/15/2013	$300,000	$ 204,539

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2008	$ 29,068	$ 9,566
2009	29,902	8,146
2010	30,761	6,685
2011	31,643	5,183
2012	32,551	3,637
2013	33,485	2,048
2014	17,129	413
Total	$ 244,539	$ 35,678

Compensated Absences
Non-teaching College employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching and teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

NOTE 7. STATE-WIDE RETIREMENT PLANS

The College participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other College employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2007, were:

	PERS	TRS
Employer	6.80%	7.47%
Employee	6.90%	7.15%
State	0.10%	0.11%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the College's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134

Total contributions for the years ended June 30, 2005, 2006, and 2007, as listed below, were equal to the required contributions for each year.

	PERS	TRS
2005	$ 165,096	$ 201,310
2006	$ 171,214	$ 246,653
2007	$ 181,050	$ 193,600

NOTE 8. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the College's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the College's health plan to age 65, provided they pay the monthly premiums. State law requires the College to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The College had 12 retired employees and no terminated employees participating in the plan as of June 30, 2007.

NOTE 9. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the College as of June 30, 2007. These amounts are reported within the cash/investment account on the Balance Sheet.

Description	Amount
Restricted for Debt Service	$ 59,277

NOTE 10. NET ASSETS

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated below:

Restricted for debt service	$ 59,277
Restricted for scholarships, research, instruction, and other	$ 180,191

NOTE 11. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net assets.

Amount	Reason for Adjustment
$(83,030)	Prior period expense

NOTE 12. RELATED PARTY TRANSACTIONS

Tod Steadman, a former trustee for the College, is the manager of ACE Hardware. The College purchased supplies from ACE Hardware during the year totaling $20,080.

Related Party Transactions Component units
The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2007:

Component Unit	Significant Transactions
Miles Community College Endowment	Donated $214,204

NOTE 13. RISK MANAGEMENT

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Polices:
Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

NOTE 14. PENDING LITIGATION

A compliant of discrimination has been filed with the Human Rights Bureau against the College. The complaint is in regard to the use of wheel chairs on the Miles Community Track. The College's Attorney has made no evaluation as to the outcome of each case. The College has liability insurance which may cover all or part of the damages requested.

SUPPLEMENTAL INFORMATION

Miles Community College, Custer County, Montana
Functional Classification of Operating Expenses
For the Year Ended June 30, 2007
(Unaudited)

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant	Auxiliary	Depreciation	Total
Salaries	$ 1,267,329	$ 22,425	$ 610,205	$ 394,885	$ 357,382	$ 108,526	$ 218,912	$ -	$ 2,979,664
Benefits	372,517	6,354	185,534	137,911	116,108	36,103	87,609	-	942,136
Travel	16,877	621	62,595	110,226	18,932	1,870	138	-	211,259
Supplies	93,975	3,654	100,430	135,260	13,014	18,240	33,165	-	397,738
contracted Services	23,215	6,017	110,042	114,637	47,037	36,463	36,944	-	374,355
Rent and Lease	4,724	140	32,990	20,688	10,509	1,088	9,143	-	79,282
Repairs and Maintenance	-	-	-	467	-	22,375	5,080	-	27,922
Advertising	1,707	2,281	4,381	58,668	-	-	1,461		68,498
Meetings and Dues	3,085	-	359	8,013	15,401	-	-	-	26,858
Utilities	-	-	3,083	9,552	-	72,881	62,219	-	147,735
Student Support	52	-	837	13,755	-	1,535	-	-	16,179
Communications	5,728	910	28,089	14,400	36,501	-	8,962	-	94,590
Software	9,625	-	6,693	-	-	-	-	-	16,318
Miscellaneous	32,497	447	29,492	28,487	21,943	829	13,360	-	127,055
Scholarships and Grants	48,090	-	831,245	58,601	-	-	35,118	-	973,054
Insurance	13,233	-	2,627	8,748	2,805	48,470	17,126	-	93,009
Indirect Costs	6,900	-	3,631	-	-	-	-	-	10,531
Food for Resale	-	-	-	-	-	-	133,949	-	133,949
Items for Resale	-	-	-	-	-	-	179,604	-	179,604
Bad Debt	-	-	-	-	24,469	-	-	-	24,469
Depreciation Expense	-	-	-	-	-	-	-	263,491	263,491
Total Operating Expenses	$ 1,899,554	$ 42,849	$ 2,012,233	$ 1,114,298	$ 664,101	$ 348,380	$ 842,790	$ 263,491	$ 7,187,696

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Student Financial Aid Modified Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2007
(Unaudited)

	Pell	Perkins	CWS	SEOG
Beginning cash balance	$ (17,448)	$ 15,773	$ (6,108)	$ 894
Additions:				
Federal advances	471,953	1,780	34,631	28,918
State matching funds	-	-	-	9,639
Total Additions	$ 454,505	$ 17,553	$ 28,523	$ 39,451
Deductions:				
Distribution to students	$ 496,988	$ -	$ -	$ 40,983
Administrative expenses	-	-	39,047	-
Total Deductions	$ 496,988	$ -	$ 39,047	$ 40,983
Net change to cash	$ (25,035)	$ 1,780	$ (4,416)	$ (2,426)
Ending cash balance	$ (42,483)	$ 17,553	$ (10,524)	$ (1,532)

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Schedule of Expenditures
Student Financial Assistance Programs
For the Year Ended June 30, 2007
(Unaudited)

		2007
Perkins Loan Program		
Student Loan Advances	$	-
College Work Study		
Wages	$	36,081
Administrative Cost		2,984
Total College Work Study	$	39,065
Supplemental Education Opportunity Grant Program		
Student Grants	$	38,557
Pell Grant Program		
Student Grants	$	481,020

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Schedule for Full Time Equivalent
For the Year Ended June 30, 2007

Semester	Resident	WUE	Nonresident	Total
Summer 2006	51.30	-	1.93	53.23
Fall 2006	412.77	2.20	33.70	448.67
Spring 2007	373.43	2.73	22.77	398.93

The FTE caluculations were based on enrollment at the end of the third week of the semester.

See accompanying Notes to the Financial Statements

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

We have audited the business-type activities, discretely presented component units and aggregate remaining fund information of Miles Community College, Custer County, Montana, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies below as items 07-1 and 07-2 to be significant deficiencies in the internal control over financial reporting.

07-1 Bookstore Internal Controls

Condition:
Deposits were not made in a timely manner and deposit reports did not correspond to actual deposits.

Criteria:
Internal control procedures require policies be put in place to ensure timely deposits. They also require data for deposits to be easily traceable to actual deposits made.

Effect:
There were inadequate internal controls in place over the depositing of cash.

Cause:
The bookstore was not fully staffed during the period being audit making it difficult to make deposits in a timely manner.

Recommendation:
The bookstore should make deposits daily and only generate summary deposit reports when a deposit is made.

07-2 Cafeteria Internal Controls

Condition:
Adequate documentation was not maintained to support deposits made for cafeteria sales.

Criteria:
Internal control procedures require that adequate documentation be maintained so cash receipts can easily be traced to cash deposits and cash received can be verified through cash receipts or other reports based on the entities accounting system.

Effect:
There are improper controls over the receipting process in the cafeteria.

Cause:
The College has been implementing internal control procedures for several departments but is still exploring ways to implement adequate controls for the cafeteria.

Recommendation:
The College should maintain Z tapes that are printed off the cash register to ensure cash receipts can easily be reconciled to cash deposits.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Regents, management, the Legislative Audit Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denning, Downey and Associates, CPA's, P.C.

October 5, 2007

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING CONTROL MATTERS

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

There were no other compliance, financial, or internal accounting matters.

Denning, Downey and Associates, CPA's, P.C.

October 5, 2007

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

The prior audit report contained 2 recommendations. The action taken on each recommendation is as follows:

Recommendation	Action Taken
Non-Budgeted Funds Expenditure Limitations	Implemented
Exit Conferences – Student Loan Program	Implemented

Denning, Downey and Associates, CPA's, P.C.

October 5, 2007

November 20, 2007

Denning, Downey & Associates, P.C.
1740 U.S. Hwy 93 South Suite 101
Kalispell, MT 59901

To Whom It May Concern:

Finding #07-1 -- Bookstore Internal Controls

Condition:
Deposits were not made in a timely manner and deposit reports did not correspond to actual deposits.

Criteria:
Internal control procedures require policies be put in place to ensure timely deposits. They also require data for deposits to be easily traceable to actual deposits made.

Effect:
There were inadequate internal controls in place over the depositing of cash.

Cause:
The bookstore was not fully staffed during the period being audit making it difficult to make deposits in a timely manner.

Recommendation:
The bookstore should make deposits daily and only generate summary deposit reports when a deposit is made.

Response:
The bookstore has implemented a process for deposit reports and actual deposits. A deposit report is run when an actual deposit is made. Deposits are made daily during peak periods and weekly during low sales volume periods.

Finding #07-2 -- Cafeteria Internal Controls

Condition:
Adequate documentation was not maintained to support deposits made for cafeteria sales.

Criteria:
Internal control procedures require that adequate documentation be maintained so cash receipts can easily be traced to cash deposits and cash received can be verified through cash receipts or other reports based on the entities accounting system.

Effect:
There are improper controls over the receipting process in the cafeteria.

Cause:
The College has been implementing internal control procedures for several departments but is still exploring ways to implement adequate controls for the cafeteria.

Recommendation:
The College should maintain Z tapes that are printed off the cash register to ensure cash receipts can easily be reconciled to cash deposits.

Response:
The cafeteria has implemented a process of printing daily Z tapes and reconciling to the cash drawer. The Z tapes are being maintained by month and year to allow for easier verification.

Sincerely,

Laura Bennett
Controller